

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 EB-07 AID-05 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05

SS-15 NSC-05 L-02 H-01 PRS-01 PA-01 USIA-06 TAR-01

EA-06 /100 W

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R 231718Z JAN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8163

INFO ALL EC CAPITALS 268

AMEMBASSY BUCHAREST

AMEMBASSY HELSINKI

AMEMBASSY MOSCOW

AMEMBASSY TEHRAN

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E.O. 11652: NA

TAGS: ETRD, EAGR, GATT, EEC

SUBJECT:US/EC DISCUSSIONS ON CHEESE, POULTRY, MTN

AND FOLLOW-UP TO THE US/EC CONSULTATIONS.

REF: A) EC BRUSSELS 541

B) GENEVA 41

C) STATE 253507

1. BEGIN SUMMARY: REPRESENTATIVES FROM WASHINGTON AGENCIES INCLUDING STR, STATE, TREASURY AND AGRICULTURE, ON THEIR WAY TO THE 7 PLUS 7 MEETING IN GENEVA AND THE OECD TRADE COMMITTEE MEETING IN PARIS, STOPPED IN BRUSSELS ON JANUARY 21 AND 22 TO DISCUSS WITH EC COMMISSION OFFICIALS COUNTERVAILING DUTIES AND CHEESE, POULTRY, MULTILATERAL TRADE NEGOTIATIONS, AND A SERIES OF SPECIFIC ISSUES LEFT OVER  
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FROM THE DECEMBER US/EC CONSULTATIONS (REFTEL C): THE OECD

TRADE PLEDGE; GATT TREATMENT OF THE EC/ACP ARRANGEMENTS, THE EC/IRANIAN TRADE AGREEMENT; FINISH/EAST EUROPE TRADE AREAS; THE ROMANIAN TARIFF; AND THE PARTICIPATION OF THE SOVIET UNION IN THE MTN. IT EMERGED FROM THE DISCUSSIONS THAT TWO OF THE ISSUES WILL REQUIRE PROMPT MANAGEMENT TO AVOID SERIOUS TROUBLE: (A) REINTRODUCTION OF EC CHEESE PAYMENTS; AND (B) THE STRUCTURE OF THE TRADE NEGOTIATION DISCUSSIONS. PARTICIPANTS ON THE EC SIDE INCLUDED WELLENSTEIN, HIJZEN AND RABOT, AS WELL AS NUMEROUS OTHER COMMISSION OFFICIALS. END SUMMARY.

2. CHEESE: IN THE CHEESE DISCUSSIONS, HIJZEN AND RABOT EMPHASIZED THE POLITICAL PRESSURE IN THE COMMISSION IS NOW UNDER TO BEGIN, PROBABLY AS EARLY AS NEXT WEEK, WHEN THEY EXPECT TO HOLD A MANAGEMENT COMMITTEE MEETING, PAYMENTS ON CHEESE SHIPMENTS TO THE UNITED STATES. THEY URGED THAT THE UNITED STATES MAKE USE OF THE DISCRETIONARY FEATURES OF THE TRADE ACT AND AVOID COUNTERVAILING ON ANY NEW EC RESTITUTIONS, WHICH WOULD IN ANY CASE BE MUCH SMALLER THAN HERETOFORE. THEY SAID THEY HOPED THAT IN REINTRODUCING SUBSIDIES AT MUCH-REDUCED AMOUNTS, THE EC WOULD HAVE SATISFIED THE US LEGAL REQUIREMENTS ON REDUCTIONS OF ANY ADVERSE EFFECT. HIJZEN EXPLAINED THAT SETTING THE LEVEL OF RESTITUTION PAYMENTS WAS A FUNCTION OF THE COMMISSION WHEREAS MORE FUNDAMENTAL CHANGES REQUIRED COUNCIL APPROVAL.

3. THE US SIDE POINTED OUT THE SEVERE RESTRICTIONS IN THE LEGISLATION ON THE USE OF DISCRETION, AS WELL AS THE ADDITIONAL RESTRICTIONS INCLUDING IN THE MALMGREN AND MACDONALD LETTERS TO MEMBERS OF THE SENATE AND IN THE STIPULATION TO THE COURT, WHICH BORE ON THE FORM OF ANY PAYMENTS SYSTEM AS WELL AS THE LEVEL OF EXPORT SUBSIDIES AND WHICH REQUIRED EXTENSIVE CONSULTATION ON THIS ISSUE WITH THE SENATE AND WITH THE INDUSTRY. HIJZEN UNDERSTOOD THE IMPORTANCE OF THE LETTERS AND THE NEED TO MEET THE STIPULATIONS OF THE LAW. HE ATTEMPTED TO PROVE THAT THE LETTERS AS WELL AS THE LEGISLATION WOULD ALLOW THE US TO USE ITS DISCRETION IN VIEW OF WHAT THE COMMISSION HAD IN MIND. HE SAID THAT THIS WAS AN ISSUE THAT WOULD REQUIRE A POLITICAL DECISION IN THE US ADMINISTRATION BECAUSE OF THE GRAVE CONSEQUENCES OF CONFRONTATION. WITH THESE CONSEQUENCES IN MIND NEITHER THE LIMITED OFFICIAL USE

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EC NOR THE US COULD LEAVE THE DECISION IN THE HANDS OF THE DAIRY INDUSTRY. HE SAID SOAMES IS FOLLOWING THE ISSUE CLOSELY AND EXPECTS TO BECOME INVOLVED IF NECESSARY. THE US SIDE AGREED ON THE POLITICAL IMPORTANCE OF THE ISSUE BUT STRESSED THAT THE US LEGAL REQUIREMENTS HAD TO BE MET. HIJZEN AND RABOT GAVE THE DELEGATION SEVERAL SUGGESTIONS AND INDICATIONS OF COMMISSION PLANS, WHICH THE DELEGATION IS TAKING BACK FOR CONSULTATION IN WASHINGTON.

4. POULTRY: LANDE OF STR OUTLINED FOR HIJZEN AND RABOT THE US REQUEST FOR BETTER TREATMENT OF US POULTR, INCLUDING: (A) IMPROVE-MENT IN THE CALCULATIONS OF THE GATE PRICE FOR TURKEYS AND PARTYS; (B) SEPARATE COEFFICIENTS FOR TURKEY AS DIFFERENTIATED FROM OTHER POULTRY PARTS; (C) SEPARATE TREATMENT AND LEVY CALCULATIONS FOR LOWER-PRICED BONELESS MEAT (COMINUTED MEAT); (D)PREFIXING OF SUPPLEMENTARY LEVIES; AND (E) AVOIDANCE OF SUPPLEMENATRY LEVIES ON TURKEY PARTY ENTEING ABOVE THE GATE PRICE. THE US SIDE ASKED FOR SERIOUS CONSIDERATION ON THESE MEASURES AND NOTED THAT THERE WAS NO LINKAGE BETWEEN THIS ISSUE AND THAT OF THE CHEESE. RABOT RESPONDED THAT THE COMMUNITY WOULD STUDY THE US PROPOSALS.

5. MTN: KELLY OF STR EXPLAINED THE INTERNAL US PLANNING SCHEDULE NOW THAT THE TRADE BILL HAS BEEN ENACTED. THE TWO SIDES DISCUSSED TACTICS FOR THE UPCOMING 7 PLUS 7 MEETING IN GENEVA, AS WELL AS FOR THE TRADE NEGOTIATIONS COMMITTEE MEETING ON FEBRUARY 11, A DATE ABOUT WHICH NEITHER SIDE WAS ENTHUSIASTIC, BUT NEITHER SIDE WANTS TO ASK A POSTPONEMENT. THEY AGREED TO STAY IN CLOSE TOUCH IN GENEVA FOR PROBLEMS THAT MIGHT ARISE. HIJZEN ASKED TIGHT D.C. COLLABORATION IN RESPONSE TO THE EFFORT BY THE SECRETARY GENERAL OF UNCTAD, COREA, TO SIT IN ON THE NEGOTIATIONS.HE PROPOSED AN APPROACH WHICH WOULD USUALLY ALLOW UNCTAD PARTICIPATION IN THE TNC BUT USUALLY NOT IN THE SUBCOMMITTEES AND DEFINITELY NOT IN THE CRUCIAL, SMALL DISCUSSIONS. HE URGED STRONG AND UNIFIED D.C. RESISTANCE TO FURTHER LDC SALAMI TACTICS.

6. ON NTB'S THE US SIDE BEGAN BY STRESSING THE IMPORTANCE OF PRIORITIES FOR PROMPT NEGOTIATIONS,WHEREAS HIJZEN PREFERRED AN APPROACH WHERE PROGRESS WOULD BE ATTEMPTED ON ALL FRONTS. LATER IT WOULD BE POSSIBLE TO ESTABLISH PRIORITIES IN THE LIGHT OF PROGRESS MADE. DURING THE DISCUSSION THERE SEEMED TO EMERGE LIMITED OFFICIAL USE

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COMMON GROUND IN CONTINUING WORK ON THE ITEMS ON THE ILLUSTRATIVE LIST, THOUGH NO FIRM AGREEMENT WAS REACHED. ON TARIFFS THERE SEEMED TO BE AGREEMENT THAT WORK COULD BEGIN SOON ON TARIFF FORMULAS.

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7. THE TWO SIDES AGREED THAT THEY WOULD AVOID COMING TO A CONFRONTATION AT THE 7 PLUS 7 MEETING ON THE STRUCTURE OF THE NEGOTIATIONS, I.E. HOW TO DEAL WITH AGRICULTURE. HIJZEN PLEADED THAT IF THIS BECAME A PUBLIC ISSUES PRIOR TO THE EC COUNCIL MEETING OF FEBRUARY 10, THE EC COUNCIL WOULD BE SURE TO RESTRICT FURTHER HIS MANEUVERABILITY ON THIS POINT, WHICH ALREADY HAD BECOME QUITE SMALL. THE ONLY WAY TO BE SURE TO KEEP THE ISSUE FROM SURFACING IN THE EC COUNCIL IS TO HAVE IT SETTLED BEFORE FEBRUARY 10. THE US SIDE URGED A SERIES OF DISCUSSIONS IN THE TNC ON GENERAL PRINCIPLES OF TARIFF AND NTB REDUCTION. THEN IT MIGHT BE POSSIBLE TO LOOK AT THESE FROM A SECTORAL POINT OF VIEW. IT WAS CLEAR FROM THE DISCUSSION THAT UNLESS SUBSTANTIAL PROGRESS IS MADE ON THIS ISSUE BEFORE THE TNC MEETS ON FEBRUARY 11, THERE WILL BE A RAPID STALEMATE.

8. PARTICIPATION OF THE SOVIET UNION IN THE MTN: HIJZEN SAID  
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THAT THE ONLY INDICATION THAT THE COMMUNITY HAD YET RECEIVED OF SOVIET INTEREST IN THE MTN'S WAS THE REPORT IN REFTEL B, AND THAT ALL OTHER RUMORS SEEMED TO STEM FROM THAT. KELLY (STR) NOTED THAT THERE ALSO HAD BEEN SOME RUMORS AS A RESULT OF INFORMAL CONTACTS IN WASHINGTON. BOTH SIDES AGREED THAT, IF THE RUSSIANS

SHOULD WISH TO PARTICIPATE, THE TOKYO DECLARATION WOULD MAKE IT POSSIBLE, AND NO MAJOR POWER WOULD ATTEMPT TO PREVENT IT. HIJZEN SAID THAT THE COMMUNITY WOULD EVEN BE WILLING TO SEE THE SOVIETS PARTICIPATE IN ONLY A PORTION OF THE MTN, I.E. GRAINS. BOTH SIDES AGREED THE PROBLEM OF WHETHER THE USSR COULD GIVE RECIPROCITY WAS IMPORTANT.

9. OECD TRADE PLEDGE: HIJZEN STRONGLY ENCOURAGED THE RENEWAL OF THE OECD TRADE PLEDGE, SAYING THAT HE BELIEVED IT SHOULD BE REDRAFTED TO TAKE INTO ACCOUNT CURRENT CONDITIONS AND TO INCLUDE SOME REFERENCE TO THE AVOIDANCE OF BARRIERS, ERECTED FOR PARTICULAR INDUSTRIAL SECTIONS. GLITMAN SAID HE ASSUMED THE US WOULD FAVOR A RENEWAL OF THE PLEDGE. HE ADDED THAT THE UNITED STATES HAD NOT MADE ITS MIND UP ON RENEWAL NOR ABOUT WHETHER ANY RENEWAL SHOULD INCLUDE AN ELABORATION ON THE CURRENT WORDING.

10. GATT TREATMENT OF THE EC/ACP ARRANGEMENTS: WELLENSTEIN SAID THAT THE EC DISLIKED THE IDEA OF A WAIVER BECAUSE IT WAS NOT STABLE. HE AND HIJZEN FELT THERE WERE ONLY TWO MAIN POSSIBILITIES: A GENERAL APPEAL TO THE SPIRIT OF GATT WITHOUT REFERENCE TO PARTICULAR ARTICLES OR, SOME ACKNOWLEDGEMENT OF A VAGUE RELATIONSHIP TO ARTICLE XXIV WITH REFERENCE TO THE SPECIAL LDC ASPECTS OF THE EC/ACP ARRANGEMENT. RELIANCE ON GATT PART 4 WAS DIFFICULT BECAUSE OF FRENCH HAD NOT ACCEPTED IT, BUT THERE HAD BEEN A RECENT INDICATION THEY MIGHT CHANGE THEIR STAND. WELLENSTEIN SAID HE HOPED THAT THE US WOULD HELP IN COMING FORWARD WITH IDEAS AND NOT JUST REJECT EC PROPOSALS, BUT GLITMAN REMINDED HIM THAT WE HAD RECEIVED NO DEFINITE PROPOSALS. WELLENSTEIN ADMITTED THAT IT WAS NOW UP TO THE EC TO COME UP WITH A MORE PRECISE PROPOSITION. THOUGH SOME MEMBERS OF THE EC SIDE HOPED THAT A GATT WORKING PARTY COULD ENDORSE AN EC/ACP ARRANGEMENT, HIJZEN WAS NOT SURE THAT THIS WAS NECESSARY. GLITMAN MENTIONED THE POSSIBILITY THAT US ACCEPTANCE OF THE ARRANGEMENT MIGHT HAVE TO BE ON GROUNDS DIFFERENT FROM THE JUSTIFICATIONS OFFERED BY THE EC. WELLENSTEIN ASKED THAT DISCUSSIONS ON THIS SUBJECT BE CONSIDERED A BRAINSTORMING SESSION AND NOT BE LIMITED OFFICIAL USE

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REFERRED TO IN DISCUSSIONS WITH OTHER COMMUNITY OFFICIALS.

11. EC/IRAN TRADE AGREEMENT: WELLENSTEIN GAVE AN ACCOUNT OF THE COUNCIL MEETING SIMILAR TO THAT CONTAINED IN REFTEL A. HE SAID THAT THE POSITION OF THE NINE IS STILL VERY MUCH UNDECIDED. THE COMMISSION WILL PURSUE PROPOSALS OF A NON-PREFERENTIAL SORT. HOWEVER THE PRESSURE FOR PREFERENCES HAD INDEED GROWN AS A RESULT OF THE FRENCH CHANGE. HE SAID THE FEBRUARY 10-11 EC COUNCIL WILL PROBABLY RECEIVE A PREPOT FROM THE COREPER.

12. FINNISH-EAST EUROPEAN FREE TRADE AREA: BOTH SIDES AGREED THAT THEIR BASIC PURPOSE WAS SIMILAR BUT THAT THEIR GATT PRO-

CEDURAL APPROACH WAS SOMEWHAT DIFFERENT. THE US SIDE SIAD IT WOULD BEGIN THE EXAMINATION ON THE ASSUMPTION THAT THE ARRANGEMENTS WERE NOT CONSONANT WITH THE GATT. THE EC SIDE SIAD IT WOULD BEGIN THE EXAMINATION IN A MORE NEUTRAL WAY, BUT IT WOULD HOWEVER ENTER A NUMBER OF FORMAL RESERVES AT THE GATT COUNCIL. IT WOULD ALSO MAKE NEGATIVE POINTS DURING THE SUBSEQUENT MEETINGS. HIJZEN SUGGESTED THAT THE US AND THE EC COMPARE THIER STATEMENTS BEFORE THE COUNCIL MEETING.

13. ROMANIAN TARIFF: WELLENSTEIN SAID THAT THE COMMUNITY HAD BEEN DISAPPOINTED IN REPORTS THAT THE US HAD BEEN WILLING TO ACCEPT IN THE GATT WORKING PARTY A STATEMENT THAT THE ROMANIAN TARIFF WAS IMPORTANT. GLITMAN SAID THAT WAS A MISTAKEN IMPRESSION. THE US HAD A POSITION SIMILAR TO THAT OF THE COMMUNITY ANDHAS YET TO BE CONVINCED THAT TE TARIFF IS MEANINGFUL. THE US, HAS IN FACT, DISCUSSED WITH THE ROMAIANS THE PROBLEM OF OBTANING RECIPROCITY. HIJZEN STRONGLY URGED CONTACTS BETWEEN THE US AND THE EC IN GENEVA ON ALL EAST EUROPEAN QUESTIONS. HE AND WELLENSTEIN BOTH MENTIONED IN PASSING THE FACT THAT THE COMMUNITY HAS FEWER INSTRUMENTS FOR DEALING WITH THE EAST EUROPEANS THAN DOES THE US SINCE THE USA STILL HAS A TWO-COLUMN TARIFF AND HAS YET TO GIVE GSP TO ANY EAST EUROPEAN COUNTRIES.GREENWALD

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## Message Attributes

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